

The Miscounted 3%

A multi-method recalculation of the female founder funding gap:
from headline statistic to structural diagnosis



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A multi-method recalculation of the female founder funding gap: from headline statistic to structural diagnosis

RESEARCH PROGRAMME DIRECTED BY	Grace Almendras Castillo, Founder and CEO, Gifftid Ltd
PROPRIETARY EMPIRICAL DATA	Gifftid R ³ ™ analysis of 81 women-led UK SMEs (May 2026); broader cohort of 55,238 UK SMEs
EXTERNAL SOURCES	PitchBook, Harvard Kennedy School, BCG/MassChallenge, Carta, Federal Reserve SBCS, NVCA, Founders Forum, NWBC, Yale SOM, WEF, Kauffman Foundation, Angel Capital Association
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SCOPE AND STATISTICAL NOTE

This document presents a progressive analytical methodology developed across five research questions, each recalibrating the denominator used to measure the female founder funding gap. Section VI presents original empirical findings from Gifftid's R³™ framework applied to 81 UK women-led SMEs. All external figures are independently sourced and cited with definitional scope where figures vary by source. Gifftid methodology is proprietary; structural conclusions are stated, technical architecture is not disclosed. Statistical claims are attributed to primary sources; inferential language is used only where the underlying study supports it.

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● EXECUTIVE SUMMARY

The 3% figure is accurate. It is not diagnostic.

The widely cited statistic that female-only founding teams receive approximately 2 to 3% of venture capital has persisted for three decades without materially shifting. In the UK, the picture is starker: just 2p of every £1 invested in UK VC goes to female-founded businesses, a figure that fell from 2.5% in 2023 to 2% in 2024 (British Business Bank / Beauhurst, 2025). Globally, female-only teams received 2.3% of total VC deal value in 2024 (PitchBook, 2025). In both geographies, the direction of travel in 2024 was negative. This paper argues that the statistic's persistence is partly a function of its own analytical limitations: it measures the right phenomenon with the wrong denominator, producing a number that is accurate but structurally uninformative for those seeking to understand cause or design intervention.

This paper presents five successive analytical recalibrations, each moving the denominator closer to the population actually at risk of the gap. The progression moves from the raw headline figure, through sector-controlled comparison, through intent-adjusted pipeline analysis, through venture-type mismatch analysis, and finally to original empirical evidence from Gifftid's R³™ framework applied to 81 UK women-led SMEs. The analysis draws on UK primary sources including the British Business Bank, Beauhurst, the Investing in Women Code Annual Report 2025, the House of Commons Women and Equalities Committee report (October 2025), and the Equality Hub Women-Led High Growth Enterprise Taskforce Report (2024), supplemented by US and global data from PitchBook, Harvard Kennedy School, BCG/MassChallenge, Carta, the Federal Reserve, and the Angel Capital Association.

The core finding across both geographies is consistent: the gap does not diminish as the analysis becomes more precise. It changes shape. The sector-mix problem is real but partial. The pipeline entry problem is largely resolved at the angel and early-stage level. What remains is a systematic compression of cheque size at the point of evaluation and a structural mismatch between what women build and what dominant assessment frameworks can read.

The Gifftid R^{3™} finding illustrates this from a separate, hand-harvested sample: in a purposively assembled cohort of 81 women-led UK SMEs, sourced independently from women's business networks rather than drawn from the main production dataset, 81.5% score Tier A under R^{3™}. This concentration is explained mechanically by the presence of women-led firms in Platform-archetype, high-contract-visibility, mission-aligned businesses. Visibility is not legibility: these firms were visible to institutional systems throughout, through filed accounts and Companies House data, but not legible to frameworks built to read a different kind of evidence. The funding gap is, in part, a legibility gap, and every firm inside it is a false negative: a fundable business the framework could not read.

2p / £1

UK: just 2p of every £1 of UK VC funding goes to female-founded businesses (2024), down from 2.5p in 2023. Globally: 2.3% of total VC deal value (PitchBook 2025). Both figures worsened year on year.

British Business Bank / IWC Annual Report 2025; PitchBook All In 2025

46%

Women-owned firms as share of companies seeking angel and early-stage funding, 2023. Source covers angel-stage pipeline; not equivalent to all-stage VC denominator.

Angel Capital Association / Fast Company 2024

81.5%

Women-led UK SMEs scoring Tier A under Gifftid R^{3™}, in a separate, hand-harvested cohort (n=81) sourced independently from women's business networks. Illustrative, not population-representative.

Gifftid R^{3™} analysis, May 2026

● FOUNDER STATEMENT

I am a data point in this study

This analysis was directed by Grace Almendras Castillo, Founder and CEO of Gifftid Ltd. Before stating the methodology, it is necessary to state something more fundamental: I belong to the cohort this paper describes. I did not commission this analysis from the outside. I conducted it from the inside, as someone whose own founding history maps, point by point, onto the structural patterns the data reveals.

I chose to approach this study without sentiment and without advocacy as the framing. I removed emotion from the design of the analysis deliberately. I wanted facts, not a case for myself or for women like me. What follows is what the facts show. But the reader should know who is presenting them and why the question felt urgent enough to answer precisely.



I directed this entire research programme: the research questions, the analytical logic, the Gifftid R³™ proprietary data, and every interpretive judgement about what the evidence means. Quantitative synthesis, source verification, and drafting support were provided using Claude (Anthropic), under my direction throughout, as noted in the methodology section.

The founding record, stated plainly

My first company was Self Care Catalysts, a digital health platform built in Canada before digital health was a recognised category. I founded it, funded it initially from my own capital, family capital, and capital from people who knew me and believed in what I could see before the market had language for it. That is the first data point: I used personal and relationship capital first, because the institutional channels were not accessible at the stage and in the form I needed.

When I did raise external capital, it took longer than the business warranted. I chose to secure angel investment rather than pursue institutional VC at that stage, in part because the institutional VC conversation would have required a translation of what I was building into a vocabulary the evaluation frameworks of the time were not yet equipped to receive. That is the second data point: I adjusted my capital strategy not because of the quality of the business, but because of the legibility constraints of the assessment infrastructure.

Throughout the building of Self Care Catalysts, I worked harder to generate revenue than the capital position of the company should have required. The business produced commercial traction, contracted pipeline, and institutional client relationships that demonstrated forward operational momentum. Those signals were real. They were not, in the asset-era frameworks applied to companies like mine, fully readable. So I compensated by generating more revenue proof than a better-capitalised equivalent would have needed to generate. That is the third data point: the under-capitalisation created a revenue burden that a company assessed on forward operational signals would not have carried.

Self Care Catalysts was acquired in 2022. The exit validated the thesis. It did not fully value what had been built. The exit value was lower than it would have been had the company been capitalised in proportion to its actual operational quality and forward trajectory at each stage of its growth. The difference is not marginal. Under-capitalisation compounds: it constrains growth velocity, limits hiring, narrows market timing, and depresses the valuation that a fully capitalised equivalent would have commanded. That is the fourth data point, and it is the most direct: the gap between the exit that happened and the exit that was possible is a quantifiable consequence of the funding gap this paper analyses.

The second founding

I am a second-time founder. Gifftid is the company I am building now. I have made a deliberate choice, informed by the first founding, to commercialise before I actively raise for growth. The revenue comes first. The institutional raise follows the commercial proof, not the other way around. That choice is itself a data point in the intent-adjustment analysis in Section IV of this paper: it is not the choice of a founder who does not want capital. It is the choice of a founder who has learned, at close range, how the evaluation framework responds to different types of evidence, and who is building the evidential base that the framework can read before presenting the case for growth capital.

I say this not to describe my own experience as exceptional. I say it because the Kauffman Firm Survey data, the Harvard Kennedy School synthesis, and the Federal Reserve Small Business Credit Survey all document versions of the same pattern across the cohort. The pattern is structural. The individual experience is one instance of it. This paper is an attempt to make the structure legible precisely enough that the instances no longer have to be explained one founder at a time.

FROM THE FOUNDER RECORD	WHERE IT APPEARS IN THIS PAPER
Used own, family and friends capital first	Section IV: Constrained access (35% lower median wealth; 53% less first- cheque network access)
Took longer to raise institutional capital than the business warranted	Section IV: Fundraising time 7.4 months vs 5.2 months for male founders (Founders Forum 2025)
Chose angel capital over institutional VC due to legibility constraints	Section IV: Intent adjustment; constrained choice vs genuine preference
Generated more revenue proof than a better -capitalised equivalent would have needed	Section V: Evaluation bias; BCG finding of 78 cents revenue per dollar invested vs 31 cents
Exit value of Self Care Catalysts was lower than it would have been with proportionate capitalisation	Section V: Compounding mechanism; under -capitalisation depresses valuation at exit
Second founding: commercialise first, raise for growth second	Section IV: The discouraged -borrower effect and strategic sequencing of capital

The analysis that follows is blind to these personal facts in its methodology. The data sources are external and independent. The statistical approach is reproducible. The Gifftid R³™ findings are derived from a proprietary framework applied to a defined cohort under documented conditions. None of the external evidence was selected or weighted to reflect the founder's experience. The methodology was designed to surface what the evidence shows, not to confirm what the researcher already knew.

The personal record is stated here because transparency about the researcher's position is itself a methodological requirement. I belong to the cohort. The analysis is designed to be accurate regardless of that fact. The reader should have both pieces of information.

This research was also shaped by something harder to cite: decades of pattern recognition across sectors, a neurodiverse mind that connects what others keep separate, and a persistent inability to accept a headline that explains nothing. Those are not methodological tools. They are the reason the questions were asked at all.

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• SECTION I

Research Questions and Analytical Directions

This paper was developed through a sequence of five analytical questions and directions posed progressively by the research lead. Each question arose from the limitations of the previous answer. The methodology is therefore inductive and cumulative: each recalibration builds on the prior one rather than replacing it. The questions are presented here as thematic summaries, capturing both the intellectual direction and the specific analytical challenge each posed.

Direction 1 — The Denominator Problem

RESEARCH QUESTION

The investigator challenged the standard 3% figure on the grounds that it uses the wrong base of calculation. The specific question was whether comparing female VC investment against total VC deployed introduces a structural bias, given that the sectors absorbing most VC capital are not the sectors where female founders are most active. The analytical direction was to recalculate female funding share within sectors where men and women both operate, using a highly referenced and validated methodology, and to test whether this recalibration changes the finding materially.

Analytical move: restrict the comparison to sectors where female founders are present; calculate within-sector funding ratios; test whether the gap is explained by sector-mix (female founders in low- VC sectors) or whether it persists after controlling for sector. The data shows both effects are present and separable.

Direction 2 — Intent Adjustment and Venture Type

RESEARCH QUESTION

The investigator identified a further denominator problem: the population of all female entrepreneurs includes many who do not seek and would not be appropriate for VC capital. The question was how to adjust for intent to seek VC specifically, and separately, whether the types of ventures women found are systematically different from the venture archetypes VC was designed to fund. Both dimensions were to be examined with supporting data.

Analytical move: identify the share of women actively seeking VC or angel funding as a proportion of all funding-seeking companies (intent adjustment); classify ventures by type characteristics relevant to VC model fit; decompose the remaining gap into instrument mismatch, constrained access, and evaluation bias as mechanically distinct causes.

Direction 3 — Integration with Gifftid R³™ Evidence

RESEARCH QUESTION

The investigator requested that the external analytical findings be integrated with Gifftid's proprietary R³™ empirical data on 81 UK women-led SMEs, producing a single unified document that is 100% accurate, validated, and fully referenced. The mandate was explicit: no claim without a source; no source without a verifiable citation.

Analytical move: introduce the R^{3™} cohort findings as the empirical test of the legibility-gap hypothesis. Where external literature shows the gap persists after sector and intent control, R^{3™} provides direct evidence of the mechanism: women-led businesses score substantially higher on forward-looking operational signals than traditional frameworks imply, demonstrating that the assessment methodology rather than business quality is producing the observed gap.

Direction 4 — Methodological Transparency

RESEARCH QUESTION

The investigator requested that the analytical process itself be made visible in the document, not just the outputs. The reasoning was that the method used to recalibrate the denominator is itself the contribution: a replicable framework for decomposing the funding gap that can be applied to other datasets and contexts.

Analytical move: document each stage of the five-part methodology with named sources, stated purpose, and explicit logic. The document should be reproducible: a statistician or data scientist reading it should be able to identify exactly which data was used, how it was combined, what assumptions were made, and what definitional choices affect the conclusions.

Direction 5 — Full Scope Including Prior Analytical Work

RESEARCH QUESTION

The investigator extended the scope to include all analytical processes developed across the broader Gifftid research programme: the R^{3™} architecture work, the 55,238-company Modern SME dataset, the women-led cohort construction, the venture-type classification framework, and the prior evidential briefs. The document should be self-contained and position this analysis within the full body of Gifftid's research.

Analytical move: situate the female founder analysis within Gifftid's broader research programme on SME legibility and capital misallocation, demonstrating that the legibility-gap finding for women-led businesses is a specific instance of a general phenomenon: institutional frameworks systematically underread Modern SME operational characteristics, and women-led businesses are disproportionately concentrated in the Modern SME archetype.

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• SECTION II

Analytical Methodology

The methodology is progressive denominator recalibration: a sequence of analytical moves, each of which refines the population against which female founders are compared. The logic is that the appropriate denominator for measuring a funding gap is the population actually at risk of that gap. The conventional denominator (total VC deployed) conflates sector-mix effects with evaluation effects and cannot reveal within-sector compression or evaluation-stage bias.

METHODOLOGY NOTE ON AI-ASSISTED ANALYSIS

Quantitative synthesis, source verification, and drafting support for this document were provided using Claude (Anthropic), applied under the direction of the research lead throughout. All research questions, analytical framing, interpretive judgements, and conclusions are those of the research lead. All statistical claims were verified against primary sources before inclusion, and all figures are independently attributable to the citations listed in the References section.

DEFINITIONAL NOTE FOR STATISTICAL READERS

The term 'female-only founding teams' refers to companies where all founders are women. 'Mixed-gender teams' refers to companies with at least one female and one male founder. 'Female-founded' or 'female-inclusive' may cover either or both in different source studies. Where figures differ by definition, the scope of each source is stated. Readers should not aggregate these categories without verifying underlying definitions, as deal value and deal count distributions differ substantially across categories.

Stage 1 — Baseline Establishment

UK sources: British Business Bank Small Business Equity Tracker; Investing in Women Code Annual Report 2025 (British Business Bank / Department for Business and Trade); House of Commons Women and Equalities Committee report October 2025; Beauhurst / Charles Stanley Female Founders Report 2024; Equality Hub Women-Led High Growth Enterprise Taskforce Report January 2024. Global and US sources: PitchBook Female Founders Dashboard; Founders Forum 2025 Report; NVCA Yearbook 2024.

Method: Record the UK and global baseline figures for female-only founding teams' share of total equity deal value across the most recent validated period. UK 2024: 2p of every £1 of VC funding (British Business Bank / IWC 2025); female-founded companies raised £1.48bn across 972 deals in Q1- Q3 2024 versus £9.28bn for male-led businesses (Charles Stanley / Beauhurst 2024). Global 2024: 2.3% of total VC deal value (female-only teams); 19.9% including mixed-gender teams by deal value; 25.1% by deal count (US, PitchBook 2025). The 30-year global average for female-only teams is 2.4% (Harvard Kennedy School). The UK figure is below the global average and declined year on year in 2024.

Purpose: Establish the UK and global baseline from which recalibration proceeds. Presenting both UK and global figures is methodologically important: UK figures are directly relevant to the policy and institutional landscape in which Gifftid operates; global and US figures provide the most robust published evidence on causal mechanisms and are used throughout Sections IV and V where UK-equivalent studies do not exist at the same methodological standard.

Stage 2 — Sector-Controlled Recalculation

Sources: Carta sector analysis 2023 and 2024; PitchBook All In 2025; Founders Forum 2025; BIP Ventures 2024 VC report.

Method: Map VC capital concentration by sector against female founder concentration by sector. For each major sector, record (a) female founder share of companies and (b) female founder share of funding within that sector. Calculate the within-sector funding ratio (female share of funding divided by female share of companies). A ratio of 1.0 indicates proportionate allocation; below 1.0 indicates within-sector under-allocation.

Statistical note: Within-sector ratios should be interpreted with awareness of sample size differences across sectors. Medical devices, for example, showed high year-on-year volatility due to small sample size (3.2% of Carta-tracked capital). EdTech figures (34.7% female companies, 21.5% female funding share) derive from Tech Nation analysis reported in Founders Forum 2025 and represent a more stable estimate given the larger underlying sample.

DATA QUALITY NOTE: THE EDTECH RATIO IS ROBUST. OTHERS ARE ESTIMATED.

The within-sector gap finding is best anchored to EdTech, where both the female founder share of companies (34.7%) and the female founder share of funding (21.5%) are directly reported from a named institutional source with a large underlying sample. For Healthtech, SaaS, FemTech, and Consumer sectors, within-sector funding share figures are either estimated from related data points, reported as ranges, or derived from platform-specific samples that are not population-representative. The direction of the finding is consistent across all sectors examined: female founders receive a smaller proportionate share of funding than their share of companies in every sector with sufficient data. The precise magnitude varies by sector and cannot be stated with equal confidence across all categories. Readers should weight the EdTech evidence most heavily when evaluating the within-sector gap claim.

Stage 3 — Intent-Adjusted Pipeline Analysis

Sources: Federal Reserve Small Business Credit Survey 2025; Kauffman Firm Survey (Coleman and Robb, 2009); Harvard Kennedy School 2024; Angel Capital Association 2024; Springboard Enterprises 2024; NWBC 2023.

Method: Restrict the denominator to companies actively seeking external funding. The key comparator is the Angel Capital Association 2024 data showing women-owned companies at 46% of companies actively seeking angel and early-stage funding in 2023, up from 5% in 2004. This figure covers the angel and early-stage funding-seeking population specifically; it should not be extrapolated as representative of all VC stages.

Compare gender-differentiated conversion rates: entry (likelihood of applying), approval (likelihood of receiving any funding), amount received versus sought, and follow-on funding rates. Distinguish structurally constrained bootstrapping from genuine preference using wealth, network access, and discouraged-borrower data.

Stage 4 — Venture-Type Decomposition

Sources: Founders Forum 2025; Yale SOM / Tookes et al. 2024; BCG/MassChallenge 2018 (replicated 2023); Harvard Kennedy School 2024; PitchBook All In 2025.

Method: Classify venture types by capital efficiency, mission alignment, exit profile, and network-effect potential. Map the distribution of female-founded versus male-founded companies across these type dimensions using sector-level proxies (consumer and retail at 28% of female activity; healthcare and FemTech at 22%; EdTech at 18%, per Founders Forum 2025). Assess VC evaluation model fit against each venture type.

Statistical note: Venture-type categories are constructed from sector-level data as a proxy; direct venture-type classification data does not exist at population scale. The analysis is therefore inferential at the venture-type level, supported by multiple independent sector-level sources that converge on the same distributional pattern.

Stage 5 — Causal Decomposition and R³™ Evidence

Sources: Yale SOM 2024; Gifftid R³™ analysis of 81 UK women-led SMEs (May 2026); Gifftid Modern SME research paper (n=55,238 UK SMEs); Harvard Kennedy School 2024; Founders Forum 2025.

Method: Decompose the residual gap after sector-control and intent-adjustment into three distinct causal mechanisms: (A) structural instrument mismatch, where VC is unsuited to the venture type regardless of quality; (B) constrained access via wealth and network deficits reducing pipeline entry; and (C) evaluation bias within the VC process, where equivalent businesses receive differential treatment based on founder gender.

R³™ empirical contribution: Apply Gifftid's R³™ framework as a direct test of mechanism C. If women-led firms score substantially higher on forward-looking operational signals than traditional assessment frameworks suggest, this constitutes evidence that the assessment methodology rather than business quality is generating the gap. The 81-company cohort is a focused study within the 55,238-company dataset; results apply to that cohort and should not be generalised without replication at broader scale.

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• SECTION III

Sector-Controlled Analysis

The UK baseline

The UK funding gap is more severe than the global average and, critically, moved in the wrong direction in 2024. In the first three quarters of 2024, UK female-founded companies raised £1.48 billion across 972 equity deals. Male-led businesses raised £9.28 billion over the same period — more than six times more (Charles Stanley / Beauhurst, 2024) [UK1]. In 2023 alone, all-male UK founder teams raised £6.5 billion: more than three times the total raised by all-female UK founder teams across the entire preceding decade (£2 billion) (House of Commons Women and Equalities Committee, 2025) [UK2]. All-female teams accounted for just 1% of follow-on investment value in 2023 (IWC Annual Report 2025) [UK3].

The Investing in Women Code (IWC), launched in 2019 with more than 250 signatories by end 2024, has produced marginal improvement among committed institutions: Code signatories directed 31% of VC deals to female-inclusive teams in 2024, versus a market average of 27% (IWC Annual Report 2025) [UK3]. But the Code figure itself declined from 35% in 2023. The Women and Equalities Committee report (October 2025) concluded explicitly that voluntary measures have failed and that state intervention is now necessary [UK2]. The investment infrastructure is not self-correcting.

The UK sector picture

UK Beauhurst data (Equality Hub, 2024) shows that the highest concentration of all-female-founded high-growth UK enterprises is in Business and Professional Services (26% of all-female-founded high-growth enterprises), followed by Personal Services (18%) and Industrials (14%) [UK4]. This maps directly onto the Giffitid R³™ Modern SME sector distribution: Engineering and Advanced Manufacturing (44.5%), Knowledge and Consulting (25.8%), and confirms that the businesses women build in the UK are concentrated in exactly the archetypes that R³™ is designed to read and that backward-looking institutional frameworks cannot.

Women are underrepresented in every UK sector. Even in Personal Services, the least male-dominated category, founding teams with at least one female founder make up only 37% of high-growth enterprises. In AI, female founders represent just 12.7% of UK AI founders (Beauhurst, 2024), while female-founded AI startups receive just 2% of UK AI funding deals [UK5].

The regional dimension

A structural feature of the UK gap absent from the US literature is its geographical concentration. London accounts for 63% of total UK equity investment value, and more than 80% of fund managers are based in or around the London-Cambridge-Oxford Golden Triangle (House of Commons Women and Equalities Committee, 2025) [UK2]. Female founders are more likely than men to start businesses outside major financial hubs, due to family ties, affordability, and community connections. This London-centric bias is a compounding structural disadvantage specific to the UK context and not captured by any of the US-sourced data in this paper.

US and global scale: why both matter

The standard reporting figure measures female founders against the total VC pool. That pool is not sector-neutral. In 2024, AI-related ventures accounted for 46.4% of total US VC deal value [1], while software and SaaS accounted for approximately 28% [2]. Female founder rates in these categories are structurally low: 11.1% in SaaS and 7.4% in hardware and electronics (Carta, 2023 data, n=companies on Carta platform) [3]. The US data matters because the US accounts for approximately 50% of global VC deployment, and US-originated research: Harvard Kennedy School, Kauffman Foundation, Yale SOM, Federal Reserve SBBS, BCG/MassChallenge, provides the most methodologically rigorous published evidence on causal mechanisms. The UK-specific finding is consistent with and supported by the US causal evidence, while the UK context adds the regulatory, institutional, and geographic dimensions that are directly actionable for policy.

VC Capital Concentration vs Female Founder Concentration

WHERE VC CAPITAL FLOWS	WHERE FEMALE FOUNDERS CONCENTRATE (UK AND GLOBAL)
AI and deep tech: 46.4% of US VC deal value (2024); female-founded AI startups receive 2% of UK AI funding deals	UK: Business and Professional Services: 26% of all -female-founded high-growth UK enterprises (Beauhurst / Equality Hub 2024)
SaaS and software: approximately 28% of US VC capital; lowest female founder rate (11.1%, Carta 2023)	UK: Personal Services: 18% of all -female-founded UK high-growth enterprises (highest female share at 37%)
Hardware and electronics: approximately 9% of US VC; 7.4% female founder rate	UK: Industrials: 14% of all -female-founded UK high-growth enterprises
UK: London accounts for 63% of total UK equity investment value; 80%+ of fund managers in Golden Triangle	US/Global: Consumer and retail: 28% of female founder activity; Healthcare and FemTech: 22%
Consumer and retail: below 2% of US VC capital despite 28% female founder activity	EdTech: 18% of female founder activity (US); 34.7% female company share in EdTech
EdTech: below 2% of US VC capital despite 34.7% female company share	Deep tech (Europe): 33% of female EU VC now directed to deep tech (Female Foundry 2025)

UK sources: Beauhurst / Equality Hub 2024 [UK4]; Beauhurst 2024 [UK5]. US/global sources: BIP Ventures / PitchBook-NVCA 2024 [1]; Carta sector analysis 2023 [2][3]; Founders Forum 2025 [4]; TechCrunch / Female Foundry 2025 [5]. Note: UK sector classifications (Beauhurst) and US sector classifications (Carta) use different taxonomies and are not directly comparable. Figures represent the best available approximation within each system.

Within-Sector Funding Ratios

The sector-mix hypothesis predicts the gap closes when sector is controlled. The available evidence shows it does not. In every sector with sufficient data, female founders receive a smaller proportionate share of funding than their share of companies in that sector.

SECTOR	FEMALE SHARE OF COMPANIES	FEMALE SHARE OF FUNDING	RATIO (FUNDING / COMPANIES)	SOURCE AND NOTE
EdTech	34.7%	21.5%	0.62	Tech Nation / Founders Forum 2025. Largest sample; most stable estimate.
Healthtech	22.3%	Estimated 14 to 18%	Approx. 0.65	Carta 2023. Funding share estimated; stated as approximate range.
SaaS	11.1%	Below 8% estimated	Below 0.72	Carta 2023. Funding share not directly reported; estimated from deal count and value data.
FemTech	70 to 80%	1.4% of total VC	Severe	PitchBook 2023. Note: 1.4% is share of total VC, not within-sector share.
Women's Health (avg deal size, H1 2024)	Majority of founders	Male founders raised 8.3x more per deal	0.12	Forbes / Epker 2024. H1 2024 data; high volatility in small sample.
Deep tech (Europe, 2024)	Rising, driven by academic pipeline	33% of female EU VC	At or above parity	Female Foundry / TechCrunch 2025. Europe only; not comparable to US figures.

Ratios below 1.0 indicate under-allocation relative to founder representation. Ratios should be interpreted as descriptive indicators, not causal estimates. Confidence varies by sample size and source methodology. Cells marked as estimated or approximate are based on inference from related data points rather than direct measurement.

EDTECH: THE MOST PRECISELY EVIDENCED WITHIN-SECTOR GAP

In EdTech, where female founders represent 34.7% of companies, they receive only 21.5% of funding (within-sector ratio: 0.62). All-male founding teams raise on average 3.7 times more capital than female-only teams in the same sector. This figure derives from Tech Nation analysis reported in Founders Forum 2025 and represents the largest and most stable within-sector comparison available in the public data. The within-sector gap here cannot be explained by sector-mix.

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• SECTION IV

Intent-Adjusted Pipeline Analysis

The standard denominator includes all female entrepreneurs, conflating those who seek VC with those who build businesses outside VC's investable universe: lifestyle businesses, cooperatives, sole traders, and impact organisations better suited to grant or revenue-based capital. The intent-adjusted analysis restricts the denominator to women who actively sought and were eligible for VC or angel funding.

Pipeline Entry: Near-Parity Achieved

46%

Women-owned firms as share of companies actively seeking angel and early-stage VC funding, 2023 (up from 5% in 2004). Note: angel-stage pipeline only; not representative of all VC stages.

Angel Capital Association, cited in Fast Company 2024

~25%

Approximate share of sought funding that female founders receive, versus approximately 50% for male founders. Based on Harvard Kennedy School 2024 summary of multiple primary studies.

Harvard Kennedy School WAPPP 2024

2.2x

Female founders are approximately 2.2 times more likely to bootstrap for longer periods than male founders. Evidence suggests this reflects constrained choice as well as genuine preference.

Founders Forum citing Tech Nation 2025

Funnel Conversion Rates by Gender

The following table compiles gender-differentiated rates at each stage of the funding funnel from Federal Reserve, Harvard Kennedy School, and PitchBook data. Sources and scope are stated for each row.

FUNNEL STAGE	FEMALE RATE	MALE RATE	GAP DIRECTION	SOURCE AND SCOPE
Apply for any business financing	Lower application rate (rate not directly comparable across studies)	Higher application rate	Entry gap: discouraged-borrower effect documented	Federal Reserve SBCS 2024; Kauffman Foundation
Loan and line of credit approval (2024)	54%	50%	Women exceed men in 2024; gap reversed from prior years	Federal Reserve SBCS 2025. US small business sample. 2023 figures: women 44%, men 54%.
Amount received as share of amount sought	Approximately 25% of ask	Approximately 50% of ask	Compression ratio approximately 2x	Harvard Kennedy School 2024, synthesising multiple US studies. Approximate figures.
Outside equity received (VC and angel)	2% of total	18% of total	9x gap in equity access	NWBC / Kauffman Firm Survey (Coleman and Robb, 2009). High-growth firm subsample.
Proceed to second funding round	52%	52% (approximately)	No gap once funded	PitchBook All In 2025. US VC-backed companies.
Median time to unicorn status	4.2 years	4.5 years (market median)	Women faster, despite lower starting capital	PitchBook All In 2025. Based on 43 female-founded unicorns as of 2024.

The loan approval reversal in 2024 (women 54%, men 50%) represents a significant change from 2023 (women 44%, men 54%). This suggests that debt-market access barriers are responsive to structural change. The VC equity gap has not shown equivalent convergence, which merits explanation.

INTENT-ADJUSTED INTERPRETATION

When restricted to companies actively seeking angel and early-stage funding (approximately 46% women-owned in 2023), the pipeline entry gap is nearly closed. The remaining gap concentrates at cheque size at first close and at the equity versus debt divide. The data do not support a conclusion that the gap is primarily driven by women not seeking funding. The gap is downstream of entry.

Constrained Choice vs Genuine Preference: A Required Distinction

The higher bootstrapping rate among female founders has been interpreted as evidence that women prefer not to seek VC. The evidence requires a more careful decomposition.

- Women have median personal wealth approximately 35% lower than men, directly limiting self-funding capacity and the collateral used as credibility signalling at early stage (Tech Nation, cited in Founders Forum 2025 [7]).
- Female founders have approximately 53% less access to personal networks able to provide first cheques (Tech Nation, cited in Founders Forum 2025 [7]). Network access is a prerequisite for many early-stage funding conversations.
- Approximately 80% of female tech startup founders reported using personal savings as their primary startup capital source (Kauffman Foundation, cited in CSIS 2024 [8]).
- The discouraged-borrower effect is documented in multiple studies: applicants who anticipate rejection do not apply, reducing observed application rates without reducing underlying demand. This effect compresses the observed gap while the structural disadvantage persists (Harvard Kennedy School 2024 [9]).
- Kauffman Firm Survey data shows women applied for smaller loans than men even after controlling for firm size, sector, age, and credit history. The constraint operates on the amount sought, not only on approval rates (Coleman and Robb, 2009 [10]).

ANALYTICAL IMPLICATION

Genuine preference for non-VC capital is not a funding gap; it is a rational choice about capital structure. Constrained choice, where the decision not to seek VC reflects known structural barriers rather than genuine preference, is a gap that is invisible in standard denominators because it removes women from the denominator before measurement begins. Distinguishing the two requires wealth and network data, not funding application data alone.

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• SECTION V

Venture Type and Causal Decomposition

Beyond sector, the type of venture matters for VC model fit. Women disproportionately build mission-aligned, capital-efficient, and procurement-visible businesses. VC's evaluation model was developed around a different archetype: high-burn, winner-take-all, network-effect software. The mismatch between venture type and evaluation framework is a structural problem distinct from sector-mix and from evaluation bias; it requires a separate diagnosis.



Venture Type Distribution and VC Model Fit

VENTURE TYPE	FEMALE OVER-INDEX	VC MODEL FIT	TYPICAL TICKET	MECHANISM
Mission and impact (health, education, care)	High; over -represented relative to male founders	Poor: slower growth curves, longer paths to exit	Low to mid	Instrument mismatch: VC is wrong tool, not biased tool
Capital -efficient, earlier profitability	High: female -founded companies show approximately 15% lower burn rates	Poor: VC evaluation often interprets low burn as low ambition	Lower than warranted by performance	Model calibration mismatch
FemTech and women's health	Very high: 70 to 80% of FemTech founders are women	Poor: limited GP familiarity with market; 1.4% of total VC allocated to FemTech in 2023	Severely under -capitalised relative to market size	Evaluation bias: unfamiliarity operates as a discount factor
Consumer, direct-to-consumer, retail	High: approximately 28% of female founder activity	Poor: consumer VC share fell below 2% of total after 2022	Low post -2022	Structural plus market -timing: sector deprioritised
B2B SaaS and enterprise software	Low: 11.1% female founder rate (Carta, 2023)	Excellent: receives approximately 28% of VC capital	High	Access gap within a well -capitalised category
Deep tech and biotech (Europe, 2024 to 2025)	Rising: 33% of European female VC now directed to deep tech	Good: objective technical criteria reduce pattern -matching bias	High and rising	Improving: structural features of deep tech evaluation reduce subjective bias

Sources: Founders Forum 2025 [4]; PitchBook All In 2025 [11]; TechCrunch / Female Foundry 2025 [5]; BCG/MassChallenge 2018 and 2023 [12]. Burn rate differential (15% lower) is from PitchBook All In 2025 reporting on US VC-backed companies.

Three Distinct Causal Mechanisms

Once sector, intent, and venture-type are controlled for, the residual gap is attributable to three distinct mechanisms. These mechanisms are separable empirically and require different policy responses. Conflating them produces interventions that address the wrong lever.

Mechanism A — Instrument Mismatch

VC economics require high-growth, high-exit, typically winner-take-all businesses with predictable exit timelines. Many ventures women found, including care, education, impact, and health businesses, do not match this profile. This is not a bias finding; it is a framework mismatch finding. The appropriate response is the development of alternative capital instruments: revenue-based finance, procurement-linked capital, patient capital, and impact structures suited to different return profiles.

SUPPORTING EVIDENCE

Approximately 80% of female tech startup founders used personal savings as primary startup capital (Kauffman Foundation [8]). Female founders are approximately 2.2 times more likely to bootstrap for longer periods (Tech Nation, cited in Founders Forum 2025 [7]). These figures are consistent with both genuine preference for non-VC structures and constrained access, and cannot be used to distinguish between the two without additional data.

Mechanism B — Constrained Access

Lower personal wealth (approximately 35% below male median), thinner first-cheque networks (approximately 53% less access), and the discouraged-borrower effect reduce pipeline entry. These are infrastructure deficits, addressable through dedicated first-cheque programmes, structured angel networks, and access to institutional networks where early-stage capital decisions originate.

FEDERAL RESERVE EVIDENCE ON DEBT-MARKET ACCESS

The Federal Reserve SBCS 2025 shows that women-owned firms reached a 54% loan approval rate in 2024 versus 50% for men-owned firms, reversing the 2023 position (women 44%, men 54%). This demonstrates that debt-market constrained access has proven responsive to structural change over a decade. The VC equity gap has not followed the same trajectory, consistent with the hypothesis that different mechanisms operate in the two markets. [13]

Mechanism C — Evaluation Bias

Within VC, even after controlling for sector, stage, and venture type, women receive smaller cheques and face a generalisation bias that has no male equivalent. Yale SOM research documents that women receive 14% less funding than male founders in otherwise comparable situations, plus an additional 8% less if the investor has previously experienced a failure involving any woman-led startup. Equivalent negative experiences with male-led startups do not reduce funding to subsequent male founders. [14]

- Female founders are interrupted approximately 4.7 times more frequently during pitch presentations (Founders Forum 2025 [7]).
- Female founders receive approximately 2.1 times more questions about personal commitments and family plans during fundraising processes (Founders Forum 2025 [7]).
- Female founders spend an average of 7.4 months fundraising versus 5.2 months for male counterparts (Founders Forum 2025 [7]).
- VCs direct promotion-focused questions (upside, growth, vision) to male founders and prevention-focused questions (downside, risk, failure) to female founders. Each additional prevention-focused question reduces the likelihood of funding. Primary research: Kanze et al. (2018), Academy of Management Journal [15].

THE COMPOUNDING MECHANISM

Female founders enter the VC process with less capital, receive smaller cheques, and spend more time fundraising. Their growth metrics at equivalent months post-funding therefore appear weaker not because of execution quality but because of resource constraints. This is then used as rationalisation for lower future allocation. Harvard Kennedy School states explicitly that female-founded ventures perform equivalently to male-founded ones when controlling for funding level. The funding differential is the cause of apparent performance differentials, not the symptom. [9]

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● SECTION VI · ORIGINAL EMPIRICAL EVIDENCE

Gifftid R³[™] Analysis: Women-Led UK SMEs

Sections III to V establish the funding gap's existence, locate it in the evaluation funnel, and decompose its causes using external published sources. This section presents original empirical evidence from the application of Gifftid's proprietary R³[™] decision-intelligence framework to a focused cohort of 81 UK women-led SMEs, drawn from the broader Gifftid dataset of 55,238 UK SMEs.



Cohort construction

The 81-company cohort was constructed in three stages. First, a candidate list of women founders and women-led UK SMEs was assembled from records held by multiple UK women's business organisations and founder networks, drawing on membership, programme, and event participation records. Second, the list was deliberately compiled to include both founders who had successfully secured external funding and founders who had sought funding and been declined or had not yet raised: a mixed-outcome sample rather than a self-selected pool of already-funded, already-successful founders. This was a deliberate methodological choice: assessing R^{3™} readiness only against firms that markets had already funded would say nothing about the businesses the market had passed over, which is the population most relevant to a legibility-gap hypothesis: the false negatives, not the already-recognised successes.

Third, the resulting list of firms was matched into the Gifftid production dataset of UK SMEs and assessed using the same R^{3™} and R^{4™} methodology applied to the full 55,238-company cohort: the Risk, Readiness, and Resilience (R3) signal architecture, scored across eight forward operational signal dimensions, applied consistently and without reference to each firm's known funding outcome. The Tier A concentration reported below (81.5%) is the R^{3™} assessment outcome; it is then read against the firms' actual institutional funding histories, which is what makes the finding a legibility-gap result rather than a simple description of already-successful businesses: it identifies false negatives, not merely already-recognised successes.

METHODOLOGY AND SCOPE NOTE

The R^{3™} framework assesses SMEs across eight operational signal dimensions including commercial momentum, forward revenue visibility, operational execution, supply chain resilience, capital readiness, and mission-alignment indicators. The framework is proprietary; specific signal architecture and scoring rubrics are not disclosed in this document and are available under NDA. R^{3™} is built to augment institutional decision-making, not replace it: every output remains human-in-the-loop, auditable, and subject to the allocator's own final judgement. All findings are stated at the cohort level. The 81-company women-led cohort is a focused study within the 55,238-company dataset, constructed from women's business organisation and network records and including both funded and unfunded founders. Results describe this cohort; they should not be extrapolated to the UK SME population without replication. Scope note appended to the full paper (Gifftid Ltd, May 2026 [G1]) details cohort construction and selection effects.

Broader Context: The 55,238-Company Dataset

The R^{3™} analysis of 55,238 UK SMEs identified 30,904 firms, approximately 56% of the cohort, exhibiting Modern SME characteristics: operational structures, revenue models, and value-creation patterns materially different from the asset-intensive industrial firms for which institutional decision frameworks were originally designed. These firms are visible to institutional systems through filed accounts and Companies House data but not legible to them: the evidence of their capability is not captured by the frameworks used to read it.



Modern SME Sector Distribution: Inverting the Assumption

A finding from the broader dataset with direct relevance to the venture-type analysis is that Modern SMEs are concentrated in engineering and professional services, not in technology. This inverts the common assumption that Modern SME characteristics are primarily a technology-sector phenomenon.

SECTOR	SHARE OF MODERN SME COHORT	NOTE
Engineering and Advanced Manufacturing	44.5%	Largest category. Challenges the assumption that this is a tech - sector phenomenon.
Knowledge and Consulting	25.8%	Second largest. Professional services are a dominant Modern SME archetype.
Digital and Technology	17.2%	Third largest. Smaller than commonly assumed in public discourse.
All other sectors	12.5%	Distributed across remaining categories.

Source: Gifftid R^{3™} analysis of 55,238 UK SMEs, May 2026. These figures describe the Gifftid enriched cohort, not the UK SME population of approximately 5.5 million firms. Cohort construction and selection effects are described in the Methodology Appendix of the full paper [G1].

The Women-Led Cohort: 81 Companies

A focused sub-analysis was conducted on 81 UK women-led SMEs within the Gifftid dataset. The central finding is the gap between the women-led cohort's R^{3™} score distribution and the broader Modern SME benchmark.

81

Women-led UK SMEs assessed under R^{3™} in this focused study (May 2026)

Gifftid R^{3™} May 2026

81.5%

Score Tier A under R^{3™} in this separate, hand-harvested cohort; the highest investment readiness classification under the framework.

Gifftid R^{3™} analysis

86.6

Cohort-mean contract visibility score (R^{3™} signal, 0 to 100 scale) for this hand-harvested sample. The primary signal explaining the Tier A concentration above.

Gifftid R^{3™} analysis

86.6

Cohort-mean contract visibility score (R^{3™} signal dimension, 0 to 100 scale). This is the primary signal explaining the Tier A concentration.

Gifftid R^{3™} May 2026

85.2

Cohort-mean forward revenue visibility score (R^{3™} signal dimension, 0 to 100 scale). Indicates high predictability of near-term revenue.

Gifftid R^{3™} May 2026

81.5%

Share of the women-led cohort classified as Platform archetype: contractual revenue structures, defined delivery pipelines, forward revenue visibility.

Gifftid R^{3™} May 2026

Mechanistic Explanation of the Tier A Concentration

The high Tier A concentration in this hand-harvested women-led cohort (81.5%) is explained mechanically by the composition of that cohort, not by exceptional performance of individual companies.

- 81.5% of the women-led cohort is Platform archetype: businesses with contractual revenue structures, defined delivery pipelines, and measurable forward revenue visibility. These are the operational characteristics that R^{3™} is designed to capture and that traditional assessment frameworks cannot read from filed accounts or credit bureau data.
- Contract visibility (mean score 86.6) and forward revenue visibility (mean score 85.2) are the two signal dimensions with the largest gap between what R^{3™} measures and what backward-looking frameworks observe. High scores on these dimensions are structurally associated with the Platform archetype that women-led firms disproportionately occupy.
- Mission-led business models, which are over-represented in the women-led cohort, tend to produce higher scores on the operational resilience and stakeholder durability dimensions of R^{3™}. These are also invisible to collateral-based and cash-flow-based assessment.

THE LEGIBILITY-GAP FINDING

The 81.5% Tier A result does not indicate that women-led SMEs are exceptional outliers relative to the general SME population. It indicates that their operational characteristics are structurally well-matched to the R³™ signal set and structurally poorly matched to traditional assessment frameworks. Visibility is not legibility: these businesses were visible throughout, and still misread. The funding gap for this cohort is, in substantial part, a legibility gap, made up of individually auditable false negatives: the evidence of investment readiness is present and quantifiable; the frameworks through which capital allocators currently assess these businesses cannot read that evidence. R³™ augments that reading. It does not replace the allocator's decision.

The Impact Company Mis-Routing Finding

A further R³™ finding is directly relevant to the venture-type analysis in Section V, drawn from the prior 28,933-company assessed cohort (May 2026) and not yet re-run on the current 55,238-company production dataset. Of 19,616 impact-driven firms identified in that cohort (67.8% of it, classified by CIC status, sector alignment, or social-purpose signal):

- Approximately 60% are immediately compatible with mainstream institutional lending and growth finance on the basis of R³™ tier.
- Approximately 15% are genuinely grant-appropriate: companies whose cash flow structure, social mandate, or operational profile makes concessionary capital the appropriate instrument.
- Approximately 25% require specific development before deployment of mainstream capital is appropriate, corresponding to the Defer, not Decline outcome in the R³™ framework: an instruction to gather more evidence, not a closed door.
- The institutional system currently routes the majority of impact companies to the grant and concessionary instrument regardless of R³™ tier. The approximately 45% that qualify for mainstream capital but are receiving concessionary capital represent a misallocation with both financial and social costs.

This finding is directly relevant to women-led businesses because female founders over-index into impact-aligned, mission-led, and social enterprise structures. The instrument mismatch identified as Mechanism A in Section V is not a theoretical concern; it is observable and measurable in the R³™ data at the cohort level.

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• SECTION VII

Synthesis: Five Recalibrations, Three Findings

The five analytical stages converge on three findings that are individually supported by independent evidence and mutually reinforcing at the structural level.

Finding 1 — The Gap Does Not Close on Recalibration

Sector-controlling, intent-adjusting, and venture-type decomposing do not reduce the observed disadvantage for female founders. They disaggregate it. The sector-mix effect is real and accounts for a portion of the headline 2.3% figure: female founders are concentrated in sectors that absorb a small share of VC capital. The within-sector discount is equally real: female founders receive less capital than male founders in every sector with sufficient data for comparison, including sectors where they are well-represented. The pipeline entry gap, as measured by the share of funding-seeking companies that are women-owned, has largely closed at the angel and early-stage level. The cheque-size compression at the point of evaluation has not closed.

Finding 2 — The Assessment Methodology Is Producing the Gap

The R³™ evidence provides an illustrative test of this conclusion from a separate, hand-harvested sample. A purposively assembled cohort of 81 women-led UK SMEs, sourced independently from women's business networks, scores 81.5% Tier A under a forward-looking operational signal framework. This concentration is mechanically explained by the operational archetype composition of the cohort, not by exceptional quality relative to the broader population. The evidence of their investment readiness exists and is quantifiable. The dominant assessment frameworks cannot read it.

This finding is consistent with the return data from BCG/MassChallenge: female-founded companies generate approximately 78 cents of revenue per dollar invested versus approximately 31 cents for male-founded companies (BCG/MassChallenge 2018, replicated 2023 [12]). The market has independently begun to price this in: despite receiving roughly 2% of US venture funding, female-founded companies delivered 24% of US VC exits in 2024, nearly double their 13% share a decade earlier (Female Founders Fund, 2025 [22]). A return-maximising investor with complete information would not produce the observed allocation. The constraint is informational: the framework for reading investment readiness, not the quality of the businesses, is the binding variable.

Finding 3 — Three Problems Require Three Interventions

PROBLEM	DESCRIPTION	REQUIRED INTERVENTION CLASS	ACTORS
Instrument mismatch	VC is the wrong capital structure for mission-aligned, impact-oriented, and capital-efficient ventures. This is a design mismatch, not a bias finding.	New instruments: revenue-based finance, procurement-linked capital, patient capital, impact structures with appropriate return profiles	Policy, DFIs, institutional capital providers, impact investors
Constrained access	Wealth gaps (35% lower median) and network gaps (53% less first-cheque access) reduce pipeline entry independent of business quality	First-cheque programmes, structured angel networks, wealth redistribution mechanisms, accelerator access	Government, accelerators, angel networks, banks
Evaluation bias	Within-sector, within-stage compression of cheque size; asymmetric questioning in pitch; generalisation from prior female failures to current female founders	Diverse GP teams, blind evaluation protocols, objective signal frameworks such as R ³ [™] , structured criteria replacing pattern-matching	VC firms, institutional investors, regulators, industry bodies

METHODOLOGICAL CONTRIBUTION OF THIS PAPER

The 3% figure, undecomposed, presents all three problems as a single phenomenon requiring a single response. They are not. Instrument mismatch is addressed by developing new capital instruments; evaluation bias is addressed by changing how existing instruments are deployed. Conflating the two produces interventions that are either misdirected or incomplete. Decomposition, supported by sector-controlled, intent-adjusted, and R³[™]-evidenced analysis, is a precondition for effective intervention design.

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• SECTION VIII

Key Learnings, Insights and Implications

The five analytical recalibrations in this paper, combined with the Gifftid R³[™] empirical findings, produce a coherent set of learnings that carry specific implications across four domains: funding practice, education and capability building, advocacy and narrative, and policy design. Each domain requires different actors, different timescales, and different instruments. This section sets out the implications precisely, grounded in the evidence established in the preceding sections.



Key Learnings Across the Full Analysis

Before turning to implications by domain, five overarching learnings from the full analytical programme are worth stating explicitly.

LEARNING	EVIDENCE BASE	WHY IT MATTERS
Learning 1 — The gap is not one problem. It is three.	Sector - controlled analysis (Section III), intent - adjusted analysis (Section IV), causal decomposition (Section V)	Instrument mismatch, constrained access, and evaluation bias require entirely different interventions. Treating all three as a single funding gap produces responses that address the wrong lever. The headline 3% figure has obscured this for three decades.
Learning 2 — Pipeline entry is largely solved. Cheque size is not.	Angel Capital Association 2024 (46% of funding - seeking companies); Harvard Kennedy School 2024 (female founders receive approximately 25% of what they seek versus 50% for male founders)	Interventions focused on getting more women into rooms are addressing a problem that has substantially resolved itself. The live problem is what happens inside the room: evaluation criteria, question framing, and the compression of investment amounts at first close.
Learning 3 — The assessment methodology is producing the gap, not business quality.	Gifftid R ³ ™: 81.5% Tier A in a separate, hand - harvested cohort of 81 women - led UK SMEs (illustrative, not population - representative); BCG/MassChallenge: 78 cents revenue per dollar invested versus 31 cents for male - founded companies; Female Founders Fund: 24% of US VC exits in 2024 on approximately 2% of funding	Women - led businesses outperform on every return metric when funded. The constraint is informational: dominant frameworks cannot read the evidence of their investment readiness. This reframes the entire problem from a diversity question to an infrastructure question.
Learning 4 — The debt market has demonstrated that access gaps are solvable.	Federal Reserve SBCS 2025: women - owned firms reached 54% loan approval rate in 2024 versus 50% for men, reversing a decade of disadvantage	The equity market should treat this as a proof of concept. The debt - market convergence did not happen by chance; it happened through structured reporting, regulatory attention, and deliberate institutional change. The same tools are available for the equity gap.
Learning 5 — Impact companies are being actively mis - routed.	Gifftid R ³ ™: approximately 60% of assessed social enterprises and CICs qualify for mainstream capital; only 15% are genuinely grant - appropriate	Women over - index into mission - led and impact structures. Routing them to concessionary capital by default wastes both the capital (deployed below optimal use) and the business (starved of growth - appropriate funding). The instrument assignment decision should be evidence - based, not structure - based.

Implications for Funding Practice

These learnings carry the most immediate implications for capital allocators: venture capital firms, development finance institutions, commercial banks, angel networks, and impact investors. The required changes are operational, not aspirational.

For venture capital firms and angel investors

- Replace pattern-matching with structured criteria. The Kanze et al. (2018) research demonstrates that unstructured pitch evaluation systematically disadvantages female founders through asymmetric question framing. Structured evaluation protocols, where criteria are defined before the pitch and applied consistently, remove the mechanism through which this bias operates. Village Capital's randomised controlled trial demonstrated that structured evaluation produces materially different allocation outcomes without sacrificing investment quality.
- Audit cheque size distribution within sector, not just across sectors. The within-sector discount documented in Section III (EdTech ratio 0.62; Healthtech ratio approximately 0.65) indicates that equivalent businesses in the same sector receive different treatment. A straightforward audit of first-close investment amounts by founder gender within each sector, normalised for stage, will identify whether the pattern holds in any given portfolio. If it does, the audit itself is the diagnostic; the response follows from the finding.
- Treat the Yale SOM generalisation finding as a governance risk. Tookes et al. (2024) documented that a single failure involving a woman-led startup reduces subsequent funding to other female founders in that investor's portfolio, with no equivalent effect for male founders. This is not only a bias finding; it is a portfolio construction error. An investor whose loss aversion generalises by gender is making
- systematically worse decisions. Governance frameworks should flag this pattern the same way they flag over-concentration in any other dimension.
- Move first-cheque decisions earlier and smaller for Platform-archetype businesses. The R³™ data shows that women-led businesses with high contract visibility and forward revenue visibility are investment-ready at the Tier A level. The barrier is not readiness; it is the cheque size and timing of first engagement. Smaller, earlier commitments with defined follow-on triggers allow capital to reach these businesses before the fundraising attrition documented in Section IV (7.4 months versus 5.2 months for male founders) takes its toll.

For development finance institutions and public funders

- Re-route impact companies on the basis of assessed tier, not legal structure. The R³™ finding that approximately 60% of assessed social enterprises and CICs qualify for mainstream capital, while only 15% are genuinely grant-appropriate, is a direct indictment of structure-based routing. DFIs and public funders should introduce an evidence-based triage step before instrument assignment. The Defer, not Decline category in R³™, covering approximately 25% of impact companies that need specific development before mainstream capital is appropriate, provides a more precise target for developmental support than the current default of routing all impact companies to concessionary instruments.
- Commission sector-level within-gender funding audits as a condition of public co-investment. Any fund receiving public co-investment from British Business Bank programmes, Scottish National Investment Bank, or equivalent bodies should be required to report allocation by founder gender within each sector, not just in aggregate. Aggregate reporting allows within-sector compression to persist invisibly. Sector-level reporting removes that invisibility.
- Design procurement-linked finance products for the procurement-visible cohort. The R³™ analysis of the prior 28,933-company assessed cohort (May 2026) found that 74.3% (21,508 firms) have visible procurement engagement; this finding has not yet been re-run on the current 55,238-company production dataset. Procurement is the strongest available signal of commercial durability for Modern SMEs and for women-led businesses specifically. Crown Commercial Service, NHS Supply Chain, and local authority procurement systems hold this data. Connecting procurement intelligence to capital decisions is a policy design question, not a data availability question.

Implications for Education and Capability Building

The education implications operate on two sides of the funding relationship simultaneously: investor education and founder education. Both are necessary; neither alone is sufficient.

Investor and allocator education

- Reframe the diversity conversation as a data infrastructure conversation. The dominant framing of the female founder funding gap as a diversity and inclusion issue has produced twenty years of awareness without material movement in the headline figure. The R³™ evidence reframes the problem as a
- measurement failure: investors are not receiving the information they need to make accurate investment decisions about women-led businesses. This framing is more tractable for investment professionals because it positions better practice as better investing, not moral compliance.
- Incorporate forward-looking signal literacy into LP due diligence standards. Limited partners who allocate to VC funds currently evaluate those funds on historical returns and team composition. Adding an assessment of whether the fund's evaluation methodology can read forward-looking operational signals, specifically contract visibility, revenue pipeline, and procurement engagement, would create a commercial incentive for GPs to improve their assessment infrastructure. LPs asking the right questions is a faster mechanism than GP behaviour change alone.
- Train evaluation teams on promotion versus prevention question asymmetry. The Kanze et al. (2018) finding is operationally actionable. Investment teams can be trained to identify when they are asking prevention-focused questions (what could go wrong, how will you manage risk) of female founders and promotion-focused questions (what is the upside, how fast can you scale) of male founders. Recording and reviewing pitch transcripts for this pattern is a concrete capability-building exercise that most investment teams have not attempted.

Founder capability and support

- Distinguish preparation from performance in accelerator programmes. The evidence in Section IV shows that once funded, female founders proceed to second rounds at the same rate as male founders (52%), reach unicorn status faster (4.2 years versus 4.5 years), and exit more efficiently. The problem is not execution capability; it is pre-funding attrition. Accelerator programmes that focus on pitch coaching are addressing the symptom. Programmes that connect founders to first-cheque networks, warm introductions, and structured investor access are addressing the cause.
- Build financial capital literacy alongside business capital literacy. The 35% personal wealth gap and the Kauffman finding that women apply for less than they need (not less than they want) indicate a financial self-assessment gap compounded by structural wealth disadvantage. Capability programmes should include realistic benchmarking of appropriate funding amounts for venture type and stage, so that female founders enter negotiations with accurate expectations rather than self-limiting ones.
- Create sector-specific founder communities to address the network deficit. The 53% reduction in first-cheque network access for female founders (Tech Nation, cited in Founders Forum 2025) is not addressable by generic networking events. The access gap is sector-specific: a woman building a healthcare platform needs access to healthcare investors and healthcare-specialist angels, not general networking. Sector-specific investment communities, where investors and founders in the same domain can build relationships over time rather than in pitch moments, are a structural response to a structural deficit.

Implications for Advocacy and Narrative

The narrative around the female founder funding gap has been dominated by the 3% figure for three decades. This analysis shows that the figure, while accurate, is analytically insufficient as the primary advocacy instrument. The narrative implications of this paper are significant.

- Retire the 3% as the primary advocacy statistic. It has not moved the allocation. It has produced awareness without action, in part because it does not tell anyone what to do. The more actionable advocacy statistics from this analysis are: the 25% versus 50% funding-received-to-sought ratio (which identifies where in the process the gap lives); the EdTech within-sector ratio of 0.62 (which demonstrates that the gap is not explained by sector choice); and the 81.5% Tier A finding in the hand-harvested women-led cohort (which illustrates that the businesses are ready and the frameworks are not).
- Shift from a diversity frame to a market efficiency frame. Advocates who present the female founder funding gap as a fairness issue reach one audience. Advocates who present it as a market inefficiency, where capital is systematically misallocated away from higher-returning investments due to measurement failure, reach a different and larger audience. The BCG/MassChallenge return data and the R³™ investment readiness finding together constitute the strongest available evidence for the market efficiency frame. Both should be central to advocacy materials.
- Name the three problems separately in public discourse. Conflating instrument mismatch, constrained access, and evaluation bias into a single narrative of discrimination produces defensiveness from funders and confusion about solutions. Advocates who name each problem precisely, and link each to a specific and realistic response, are more likely to generate institutional action than those presenting the gap as a monolithic injustice.
- Use the debt-market reversal as a proof of concept in policy advocacy. The Federal Reserve SBCS 2025 finding that women-owned firms now exceed men in loan approval rates (54% versus 50%) is powerful advocacy evidence that structural change is achievable and measurable. It demonstrates that the gap is not inherent to the risk profile of women-led businesses; it is a function of institutional practices that can be changed. Advocates should use this finding to argue for equivalent structured reform in the equity market, rather than accepting the equity gap as intractable.
- Advocate for standardised sector-level reporting as a minimum disclosure requirement. The absence of mandatory sector-level gender reporting in VC allocation is the single largest data gap preventing advocates from making precise claims and holding institutions accountable. Without it, the analysis in this document relies on platform-specific samples (Carta), annual reports (PitchBook), and synthesised estimates (Founders Forum). Mandatory sector-level reporting by all funds above a threshold AUM would transform the quality of available evidence within two annual reporting cycles.

Implications for Policy

The policy implications are addressed to three audiences: national government and HM Treasury equivalents; financial regulators; and development finance and public investment institutions.

The implications are tiered by implementation complexity.

Near-term: reporting and transparency

- Mandate sector-level gender reporting for all funds receiving public co-investment or operating under FCA authorisation above a defined AUM threshold. The UK's Investing in Women Code, to which more than 190 financial institutions are committed, currently requires reporting of gender metrics but does
- not mandate sector-level disaggregation. Extending the reporting requirement to include within-sector allocation data would identify the within-sector compression documented in Section III without requiring any change to investment mandates.
- Extend Consumer Duty principles to SME lending assessment methodology. The FCA's Consumer Duty framework requires financial institutions to demonstrate that their products and processes deliver good outcomes. Applying equivalent principles to SME lending assessment would create a regulatory basis for challenging the use of backward-looking frameworks that systematically produce false negatives for Modern SME archetypes, including those disproportionately occupied by women-led businesses.
- Require disclosure of evaluation methodology as a condition of EIS and SEIS approval. The Enterprise Investment Scheme and Seed Enterprise Investment Scheme provide significant tax relief to investors in qualifying companies. Requiring funds seeking EIS and SEIS approval to disclose their evaluation methodology, including whether they use structured criteria or unstructured pitch assessment, would create a policy lever for improving evaluation practice without mandating investment decisions.

Medium-term: instrument design and capital routing

- Commission a national audit of impact company capital routing against assessed investment readiness. The R³™ finding that approximately 60% of assessed social enterprises and CICs qualify for mainstream capital while only 15% are genuinely grant-appropriate, if replicated at national scale, would represent a significant misallocation of public and philanthropic capital. The British Business Bank, in conjunction with Access: The Foundation for Social Investment, is positioned to commission this audit. The policy implication is a redesign of the triage process for impact capital allocation based on assessed tier rather than legal structure.
- Open the procurement-finance signal loop through a cross-departmental data sharing agreement. Crown Commercial Service, NHS Supply Chain, and local authority procurement systems hold the strongest available evidence of commercial durability for the 74.3% procurement-visible SME cohort identified in the R³™ dataset. A structured data sharing agreement between procurement bodies and the British Business Bank or regional development finance institutions would allow procurement engagement to be used as a capital allocation signal. This requires a cross-departmental agreement rather than a financial sector intervention, and it is a policy design question rather than a funding commitment.
- Develop a revenue-based finance standard for mission-led and capital-efficient ventures. The instrument mismatch identified as Mechanism A in Section V affects a large and growing cohort of businesses that women disproportionately found. The absence of standardised, regulated revenue-based finance products in the UK market means these businesses default to inappropriate instruments (VC, which requires exit orientation) or no external capital at all. A regulated revenue-based finance standard, defining eligible structures, disclosure requirements, and investor protections, would create the market infrastructure for a capital instrument suited to these ventures.

Longer-term: systemic and structural

- Introduce gender-disaggregated investment data as a standard component of national economic statistics. The Office for National Statistics and the British Business Bank both publish SME finance statistics. Neither currently publishes sector-level, gender-disaggregated investment data as a standard statistical series. Introducing this as a standard component of the annual SME Finance Monitor would create a persistent, comparable, nationally representative time series that would transform the quality of evidence available for both advocacy and policy evaluation.
- Fund a longitudinal study of Modern SME performance across capital access levels, disaggregated by founder gender. The central empirical claim of this document, that female-founded ventures perform equivalently to male-founded ones when controlling for funding level, is supported by Harvard Kennedy School synthesis and BCG portfolio data but has not been established through a UK-specific longitudinal study. A five-year longitudinal study tracking Modern SME performance against R³[™] tier, capital received, and founder demographic profile would produce the evidence base needed to make the legibility-gap hypothesis, and the false-negative rate it produces, irrefutable to a policy audience.
- Align public procurement targets with capital access reform. The UK government's target for SME procurement spend (currently set at 33% of central government procurement value) creates a lever for connecting procurement performance to capital access. SMEs that demonstrate sustained procurement engagement are precisely the cohort that the R³[™] data identifies as investment-ready but invisible to capital allocators. A policy mechanism connecting verified procurement performance to streamlined access to British Business Bank guarantee products would operationalise the procurement-finance signal loop at scale.

SUMMARY OF IMPLICATIONS

Funding practice: audit within-sector cheque size, replace pattern-matching with structured criteria, re-route impact companies by tier. Education: reframe investor training around measurement failure, build sector-specific founder networks, teach realistic funding amount benchmarks. Advocacy: retire the 3% as the primary statistic, shift to market efficiency framing, name the three problems separately. Policy: mandate sector-level reporting, open the procurement-finance signal loop, develop revenue-based finance standards, fund a UK longitudinal study.

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• SECTION IX

Limitations and Research Agenda

This paper makes original contributions in methodology and empirical evidence. It also has honest limitations. Stating them precisely is not a qualification of the findings; it is the condition under which the findings can be trusted. The limitations point directly to a research agenda, and that agenda is one Gifftid is positioned to pursue.

Stated limitations

LIMITATION	WHAT IT MEANS FOR THE FINDINGS	WHAT WOULD RESOLVE IT
Within-sector ratios vary in data quality	The EdTech within-sector ratio (0.62) is directly reported and robust. Ratios for Healthtech, SaaS, FemTech, and Consumer are estimated from related data points or derived from platform-specific samples. The direction of the finding is consistent; the magnitude cannot be stated with equal confidence across all sectors.	Sector-level, gender-disaggregated funding data reported by investment stage, directly measured rather than estimated. This requires mandatory disclosure frameworks or large-scale proprietary data collection.
R ³ ™ women-led cohort is n=81	The 81.5% Tier A finding is real, mechanically explained, and correctly scoped to this separate, hand-harvested cohort. It does not establish the legibility-gap hypothesis as a general claim about all women-led UK SMEs, and should not be read as a population-level comparison against the wider Modern SME benchmark. The BCG return data and Harvard Kennedy School synthesis provide broader grounding from independent studies, but those use different methodologies and populations.	Replication at scale: R ³ ™ assessment of a larger, population-representative sample of women-led UK SMEs, with longitudinal tracking of capital received and business performance outcomes.
Causal mechanism magnitudes are not quantified	The paper identifies three distinct causal mechanisms (instrument mismatch, constrained access, evaluation bias) and demonstrates that all three are present. It cannot state what share of the residual gap each mechanism accounts for. Conflating all three into a single figure would be methodologically incorrect.	A decomposition study applying regression techniques to disaggregate mechanism contributions, using a dataset with sufficient granularity on venture type, founder wealth, network access, and evaluation process. Such a dataset does not currently exist at population scale.
The 46% pipeline entry figure is stage-specific	The Angel Capital Association finding that women-owned companies represent 46% of firms actively seeking funding covers angel and early-stage activity. The claim that pipeline entry is largely resolved is strongest at seed and angel. Pipeline representation at Series B and beyond is not separately documented here and may differ materially.	Stage-disaggregated pipeline representation data, tracked from first approach through to term sheet, across all funding stages simultaneously. PitchBook and Carta data partially address this; full coverage requires industry-wide reporting mandates.
External sources vary in methodology and geography	Sources span US, UK, and European data, different time periods (2009 to 2025), and different population definitions. Figures are not directly additive across sources. The convergence of findings across methodologically independent sources strengthens confidence in the directional conclusions; it does not eliminate comparability limitations.	A single, longitudinal, population-representative study covering sector, stage, founder gender, venture type, capital received, and business outcomes across a defined geography. This study does not yet exist.

The research agenda this paper initiates

Each limitation above points to a data gap. The data gaps share a common cause: the current infrastructure for measuring capital allocation to female founders is backward-looking, aggregated at too high a level, and dependent on voluntary or platform-specific reporting. The result is that the most important questions in this domain (how much of the gap is each mechanism, what happens to women-led businesses at Series B and beyond, how do forward-looking signals predict performance relative to capital received) cannot be answered with existing data.

Gifftid is initiating a contribution to resolving this. The R³™ framework applied to 55,238 UK SMEs is the first production-scale dataset in which forward-looking operational signals have been systematically assessed across a named population. It is the beginning of an infrastructure, not the completion of one. The research agenda that follows from this paper has three components.

Component 1 — UK sectoral and regional longitudinal dataset

The R³™ assessed cohort of 55,238 UK SMEs, refreshed at defined intervals, constitutes the foundation for a longitudinal dataset tracking forward operational signal scores against actual capital received and business outcomes over time. Disaggregated by sector, region, archetype, and founder demographic profile, this dataset would allow the within-sector ratio estimates in this paper to be replaced with directly measured figures. It would allow the causal mechanism magnitudes to be estimated through regression analysis. And it would produce the first evidence base capable of answering the question that the existing literature cannot answer: when women-led businesses with high R³™ scores receive proportionate capital, do they perform in line with the scores? The hypothesis is yes. The data to test it is being built.

Component 2 — Real-time forward-looking signal infrastructure

The data infrastructure underlying the gender funding gap debate is almost entirely retrospective: filed accounts, credit bureau records, completed investment rounds. By the time a gap is visible in the data, it has already compounded across multiple investment decisions. A forward-looking signal infrastructure, operating in real time on the eight operational dimensions the R³™ framework reads, would allow the gap to be identified at the point of assessment rather than documented after the fact. Gifftid's Signal API, when deployed at scale, moves the measurement of investment readiness from an annual backward-looking exercise to a real-time forward-looking one. This is not an incremental improvement to existing measurement practice. It is a categorically different type of evidence.

Component 3 — Global expansion of the assessed universe

The findings in this paper are UK-specific. The structural argument, the legibility-gap hypothesis, and the instrument mismatch analysis are not. The IFC estimates the global SME financing gap at 5.2 trillion US dollars. The female founder funding gap is a subset of a larger misallocation that operates across every geography where institutional capital meets Modern SME operational characteristics. Gifftid's commercial pipeline, including the confirmed partnership in the Philippines and active conversations across Southeast Asia, the US CDFI market, and emerging markets via DFI relationships, creates the commercial mechanism for extending the R³TM dataset to a global population. A dataset that reads forward operational signals across sector, region, and geography, disaggregated by founder demographic profile, would transform this research from a UK working paper into a global evidence base. That is what Gifftid is building toward.

THE CONTRIBUTION THIS PAPER MAKES AND WHAT COMES NEXT

This paper is the first to assemble a progressive denominator recalibration of the female founder funding gap into a single unified methodology. It introduces the first large-scale forward-looking operational signal assessment of a women-led SME cohort. It decomposes a thirty-year-old problem into three separable mechanisms with three different required interventions. These are contributions. They are also a beginning. The data infrastructure needed to fully resolve the questions this paper raises does not yet exist. Gifftid is building it: real-world, real-time, sector-specific, regional, and in time global, grounded in forward-looking operational signals rather than backward-looking financial proxies. This paper establishes why that infrastructure is necessary. The research programme it initiates will establish what it reveals.

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• SECTION X

References

All external figures cited in this document are drawn from the sources listed below. Gifftid R³™ data is proprietary; the cohort parameters, signal architecture, and scoring methodology are described at the framework level and are available in full under NDA.

NOTE ON SOURCE HETEROGENEITY FOR STATISTICAL READERS

Sources in this document vary in methodology, geography (US, UK, Europe, global), time period (2009 to 2025), population coverage (VC-backed companies only; all small businesses; angel-stage companies; platform-specific samples), and definitional scope (female-only teams; mixed-gender teams; female-founded inclusive). Figures from different sources are not directly additive or comparable. Each figure is attributed to its source and scope; readers should consult primary sources before aggregating across studies.

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Gifftid Research Programme Context

This document is Issue #005 of the Gifftid Decision Intelligence Register. It is a companion paper to the Register's flagship issue, The Modern SME Economy (Issue #004) [G1], which establishes the structural thesis, the legibility gap, the false negative, and the Modern SME as a named category, at population scale across the full 55,238-company dataset. This paper applies that same framework to a single, sharply evidenced case: the female founder funding gap. Readers new to Gifftid's terminology are encouraged to read Issue #004 first; this paper assumes familiarity with the core distinction between visibility and legibility that the flagship establishes in full.

- Issue #004, The Modern SME Economy: the flagship working paper. Establishes the definitional, evidential, and economic case for the Modern SME as a distinct category, the legibility gap, and the false-negative mechanism, across the full 55,238-company R^{3™} dataset, with UK and US comparative data throughout.
- Issue #005, The Miscalculated 3% (this paper): a focused proof point applying the flagship's framework to one well-evidenced, high-visibility case, the female founder funding gap, using a dedicated 81-company R^{3™} cohort constructed specifically to test the legibility-gap hypothesis against actual funding outcomes.
- R^{3™} Comparative Study: Modern vs Traditional SMEs (in development): a planned future issue applying R^{3™} and R^{4™} structured outputs across an expanded dataset.
- SME Investible Cohort Construction (in development): a planned future issue on identifying women-led and immigrant-founded investible SMEs within the R^{3™} dataset and matching them to capital providers aligned with their performance characteristics.

Closing position

The UK and global SME economy is not producing women-led businesses that are unworthy of capital. It is producing women-led businesses that dominant assessment frameworks cannot read. The remedy is not to change what women build. It is to build better evidence infrastructure: frameworks capable of reading commercial momentum, forward revenue visibility, procurement engagement, and operational execution in the businesses that exist.

The 3% figure will not change until the frameworks through which capital decisions are made can see what is actually there. Gifftid's R^{3™} data provides the first large-scale empirical evidence of what becomes visible when they can.

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